Inland Revenue

Claim for Repayment - Guidance Notes

Before completing your claim form please make sure you have the following

- Dividend vouchers from
  - shares in UK companies, UK Authorised Unit Trusts and UK Open-ended Investment companies
  - foreign income dividends from UK Companies UK Authorised Unit Trusts and UK Open-ended Investment companies
  - any other dividends or company distributions
- Certificates of tax deducted or statements of account from
  - UK banks and building societies
  - UK Authorised Unit Trusts and UK Open-ended Investment companies
  - National Savings Bank Ordinary Account
  - any other deposit taker
- pension book(s)
- form(s) P60 (certificate of pay and tax deducted) from
  - a pension payer
  - an employer
- form(s) P45 (certificate of leaving details) from a previous employer
- certificate of interest paid on a mortgage or loan for your main home.

You do not need to send vouchers, certificates or any other documents with your claim but they may be called for at a later date. If you have any doubts as to how you have completed this form, you can send the vouchers as this may help us to help you.

It is a good idea to take a photocopy of your Claim for Repayment (or a written copy of your entries) for possible future reference.

BS 3/01

General Notes

- These notes are to help you complete claim forms for any of the tax years 1995-96 to 2001-2002. A tax year runs from 6 April to the following 5 April.
- They do not cover every point in detail, but they do highlight areas where you may need to ask your Inland Revenue office for help.
- Any of the Inland Revenue booklets mentioned can be obtained from any Inland Revenue office or Inland Revenue Enquiry Centre.
- When completing the claim form you must give full details of all your income, or that of the person for whom you are making the claim, for the year in question.
- You should answer fully those questions which are relevant to your claim. This will give me the information I need to process your claim quickly, and hopefully without further enquiries.

Enquiries

Your repayment claim will normally be processed within 28 days of receipt and will be based on the information which you have provided.

There may be some situations when I need to ask for more information about your claim at a later date. In these situations, the law requires that I write to you by a certain date. This will always be within 22 months of the date when you make your original claim.

If you enclose any extra sheets with your claim form please ensure they show your name, tax reference and National Insurance number (NINO) or the name, tax reference and NINO of the person on whose behalf you are making the claim.

Complaints

If you have a complaint please contact the Officer in Charge of your Inland Revenue office, whose name is shown on the front of your claim form. If the Officer in Charge doesn't settle the matter to your satisfaction you can contact the Inland Revenue Director responsible for the area dealing with your tax affairs. Our booklet IR120 *'You and the Inland Revenue'* tells you how to do this.

If the Director doesn't settle the matter satisfactorily, you can then ask the Adjudicator to look into it for you. The Adjudicator is an impartial referee whose recommendations are independent of the Inland Revenue. This service is free.

The address is

The Adjudicator's Office
Haymarket House
28 Haymarket
London,
SW1Y 4SP

Telephone 020 7930 2292 (Typetalk facilities are available)
Fax 020 7930 2298.

Finally, you can ask a Member of Parliament to refer a complaint to the independent commissioner for administration (commonly known as the 'Ombudsman') whose address is

The Parliamentary Commissioner for Administration
Millbank Tower
Millbank
LONDON
SW1P 4QP

Telephone 0845 015 4033.

Claiming before the end of the tax year

You do not need to wait until the end of the tax year to make a claim, but repayments of less than £50 are not normally made before the end of the tax year.

If you wish to claim before the end of the tax year, and expect to receive further income during the year, you should tick the box on page 1 of the form R40, immediately above section 1a. You should give details of the income received at the time you complete the form and give full year estimates of each item of income in section 14 (*Additional information*) or on a separate sheet of paper. You should mark the estimates clearly *'Estimates for the full year £.....'*. You may be asked for the actual figures after the end of the year.

If you wish to claim before the end of the tax year, and do not expect to receive any more income before the end of the year, do not tick the box.

Investment income I need to know about

Income from your children's investments.
If

- your children are under 18 and unmarried **and**
- you have given them money **and**
- this money has made income of over £100 for a particular child in the tax year of your claim

then this income counts as your own and you should enter it in the appropriate section of your claim form. If parents gave money jointly, then the income is allocated to them in proportion to their shares of the gift.

Income in joint names. If you have savings and investments held in joint names, you should enter only your share of the income.

For married couples, income from savings and investments held jointly is usually split equally. If you actually own the savings or investments and the income from them in unequal shares you can elect to have the income treated for tax on that basis. An election cannot be back-dated.

It is not possible to elect to share any 'gain' on a life insurance policy, life annuity or on a capital redemption policy. Any gain is allocated to the person who owns the rights (or owned them immediately prior to the chargeable event) under the insurance policy or contract, or created the trusts under which the rights are held. *See Note 4c.*

Please ask your Inland Revenue office if you would like further information or an election form.

Transfer of income from securities
If you sell or transfer the right to receive dividends or income but do not dispose of the underlying securities, income from those securities is treated as your taxable income. Give the amount of income from those securities, even if you have not received it.

Investment income I do not need to know about

Please do not include

- interest and terminal bonuses under Save As You Earn schemes
- accumulated interest on National Savings Certificates and children's bonus bonds, including index-linked certificates
- interest on Ulster Savings Certificates if you normally live in Northern Ireland and lived there when you bought the certificates or when they were repaid
- interest awarded by a UK court as part of an award of damages for personal injury or death
- interest, dividends and bonuses from a tax exempt special savings account (TESSA) unless the TESSA was closed before the five years were up. Full details are in our booklet IR114 *TESSA - Tax Free Interest for Taxpayers*
- dividends and other income from a Personal Equity Plan (PEP), or interest from cash held on deposit in a PEP unless you withdrew more than £180 of this interest. Full details are in our booklet IR89 - *Personal Equity Plans (PEPs)*
- Premium Bond and gambling prizes
- interest, dividends and other income from an Individual Savings Account (ISA).

INCOME

Section 1 - dividends

Note 1a **Dividends from UK companies, UK authorised unit trusts (AUTs) and open-ended investment companies (OEICs)**

You will need to make entries in section 1a if you received a dividend or other company distribution from any of the following

- a UK company
- a UK Authorised Unit Trust
- a UK Open-ended Investment Company.

Enter the name of the company concerned and the amounts of income received and the tax credit as shown on your dividend voucher.

You should **not** give details of any foreign income dividends or stock dividends in section 1a. These go in section 1b.

You cannot claim payment of tax credits on UK dividends paid after 5 April 1999.

Note 1b **Stock dividends from UK companies and Foreign Income Dividends**

You will need to make entries in section 1b if you received stock dividends (that is, shares you received instead of a cash dividend). Also enter foreign income dividends from a UK company, AUT or OEIC (note that foreign income dividends were abolished from 6 April 1999).

Enter the name of the company concerned and the amounts of income received and the tax treated as paid as shown on your dividend voucher.

You cannot claim payment of the tax that is treated as paid on these types of dividend.

Note 1c **Foreign Dividends**

You will need to make entries in section 1c if you received dividends from any of the following

- **a UK paying or collecting agent** - show the amounts of the gross dividend received and the UK and foreign tax paid as shown on the agent's voucher
- **other overseas sources** - enter the details from your dividend voucher or, if the dividends are paid through a paying agent in the UK or collected and paid to you by a banker in the UK, the certificate of deduction of tax provided by the agent or banker.

Any foreign tax credits on these dividends is not repayable. UK tax will not be deducted from foreign dividends paid after 31 March 2001.

Section 2 - UK interest

Note 2a **UK interest taxed before receipt**

You will need to make entries in section 2a if you received interest from UK banks or building societies where tax was deducted. Enter the details from your certificate of interest paid and tax deducted, or from your bank or building society statement.

You should also give details here of any interest you received, from which tax has been deducted, from any of the following UK sources:

- National Savings First Option Bonds
- Authorised Unit Trusts
- Open-ended Investment Companies
- Credit Unions and Friendly Societies.

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Additionally if you receive interest on a loan you have made to an individual or organisation from which tax has been deducted, you should enter it here.

If you are not liable to tax, or think you may not be liable, ask for our booklet IR110 *'A guide for people with savings'*.

Note 2b UK interest NOT taxed before receipt

You will need to make entries in section 2b if you received interest from UK banks or building societies and tax was **not** deducted. Enter the details from your bank or building society statement.

The first £70 of interest from a National Savings Bank ordinary account is exempt from tax but you should still enter the total interest on your claim form. Your Inland Revenue office will deduct the £70 from your calculation.

You should also give details here of any interest you received, from which no tax has been deducted, from any of the following UK sources:

- Certificates of tax deposit,
- Government Securities (for example Treasury Stock or Exchequer Stock),
- Credit Unions or Friendly Societies,
- Income Bonds, Capital Bonds and Pensioner's Guaranteed Income Bonds (do not include payments from an insurance company's guaranteed income bond or similar product. These should be entered in section 4).

Finally, if you disposed of a 'relevant discounted security' at a loss, that loss may be set against taxable income in the same year. The amount of the loss should be entered here. You should give a computation of the loss in section 14 (*Additional information*) or include it on a separate sheet of paper.

If you have registered any of your accounts for no tax to be deducted from the interest by completing form R85, please enter a '√' in the box next to the relevant account. You are not entitled to receive gross interest if your income exceeds your tax allowances. If this is the case please de-register the account(s) and tell me when you have done so.

Section 3 - state retirement pension

Note 3

You should enter the total amount of pension you were entitled to for the weeks included in the period of claim. Include the basic pension and any state earnings-related pension (SERPS) or graduated pension. If you chose to receive your pension monthly or quarterly, you should still enter the total of your weekly entitlements rather than the total of the monthly or quarterly payments you received. Your weekly entitlement will be shown on your pension book.

You should also include

- the age addition (if you are aged over 80)
- any incapacity addition
- any adult dependency addition.

If you are a married man, only include adult dependency addition paid to you in respect of your wife until her 60th birthday.

If you are a married woman, include the pension payable to you even if it is paid as a result of your husband's contributions. This does not include the adult dependency paid to your husband if you are not aged 60.

Do not include any additions for a dependent child, the Christmas bonus or winter fuel payments, as these are NOT taxable.

Section 4 - earnings, pensions (other than state pension) and other income taxed before receipt

Note 4a Earnings

Please enter the figures from your form P60 which your employer should have given you. If you left your job and tax was deducted from your pay, the figures you should enter will be on your form P45. You should also enter your employer's name in the 'Name of payer' section and enter a '√' in the 'P45/P60' section to show that the details came from one of these forms.

Your latest PAYE notice of coding (form P2) will normally tell you what expenses were given in your PAYE code. In general, you can only claim for necessary expenses that arise solely in doing your job. These include

- the expenses of travelling on business journeys and related accommodation costs and meals
- fixed deductions for maintaining or replacing tools or special working clothes
- certain fees and subscriptions to professional bodies if you carry on a profession.

If you wish to claim any expenses against your earnings please use section 14 (*Additional information*) to give details.

You cannot claim for expenses paid to enable you to get to work (for example, the cost of journeys from home to work or child minding) or for reimbursed expenses.

Note 4b Pensions (other than state pensions)

You should enter the total gross income and tax deducted from any pensions you received which you did not include in section 3 *(State Retirement Pension).* For example

- occupational pensions from former employers
- public services pensions
- forces pensions
- foreign pensions.

The details you need to enter are shown on the form P60 (or any certificate of pension paid and tax deducted) which your pension-payer should have given you.

You should also include

- annuity payments from occupational, personal and stakeholder pension schemes (where the annuity has been deferred, enter any income withdrawals received during the period of deferment)
- any annual payments received from a retirement annuity contract or trust scheme
- purchased life annuities (these have a non-taxable capital element which you should not include).

Note 4c **Gains on UK life insurance policies or life annuity contracts**

Most gains from UK insurances are treated as having borne tax at the basic rate. This tax is not repayable. You should use this section to enter details of gains on

- UK life insurance policies
- life annuities
- capital redemption bonds
- guaranteed income bonds

Please indicate clearly any entries that relate to income of this kind.

Gains may arise in a number of circumstances including when a policy comes to an end, when benefits are withdrawn or when a policy is sold or assigned. You may have received a 'Chargeable Event Certificate' showing your gain, if not, your insurance company will be able to give you the information. 'Qualifying' life insurance policies are not taxable and your insurer will be able to tell you if your policy is 'qualifying' or not.

Help Sheet IR320 *'Gains on UK life assurance policies'* contains more information

Note 4d Finally, the following list highlights other sources of income that should be included in section 4.

- Taxed income on Government Securities (gilts), for example, Treasury stock and Exchequer stock.
- Taxed interest on other loan stock.
- Interest, dividends and bonuses from a Tax Exempt Special Savings Account (TESSA) which was closed before the five years were up.
- Income from UK unit trusts, other than dividends and interest.
- Interest from cash deposited in a Personal Equity Plan (PEP) if you withdrew more than £180 of this interest.
- Purchased life annuities (these have a non-taxable element which you should not include).
- Taxed income from deeds of covenant made for business. reasons only in connection with the payer's trade or profession (for example, partnership annuities).
- Overseas unit trusts or other overseas investment funds - enter the amount of income arising to you. This may include amounts reinvested where the income of the fund is automatically reinvested in the fund on your behalf (for example on accumulation units). Include details of your share of any tax deducted. The voucher or the fund manager will provide relevant details. If you do not have a voucher ask your fund manager for one.
- Interest, dividends and bonuses from a Personal Equity Plan (PEP) or Individual Savings Account (ISA) that has been made void.

Section 5 - social security benefits and other income NOT taxed before receipt

Note 5a **Social Security benefits**

You should enter the total amount of benefit you were entitled to for the weeks included in the period of claim. If you chose to receive your benefit monthly or quarterly, you should still enter the total of your weekly entitlements rather than the total of the monthly or quarterly payments you received. Please bear in mind the following points about specific benefits.

- **Bereavement allowance** - Include any earnings-related additional pension as well as the basic pension.
- **Widowed parent's allowance** - Include the flat-rate basic allowance and any earnings-related addition. Do not include any increase for a dependent child.
- **Jobseeker's allowance** - Enter the total taxable benefit for the period. The Benefit office will usually have given you a statement of the total Jobseeker's allowance paid to you and the amount that is taxable. Forms P60(U) and P45(U) will also show the taxable amount.
- **Taxable incapacity benefit** - Incapacity benefit is not taxable when paid for
  - the first 28 weeks of incapacity, **or**
  - a period of incapacity which began before 13 April 1995 and for which invalidity benefit used to be payable.

Enter the total taxable benefit for the period. The Benefits Agency will have given you a statement showing the amount that is taxable. Forms P60(IB) and P45(IB) issued by the Benefits Agency also show the taxable amount. If (exceptionally) tax was deducted from your benefit before you received it, enter the gross amount and write against your entry 'tax paid £.....'.

- **Other benefits** - the following Social Security benefits are taxable and should be included:
  - Invalid care allowance
  - Industrial death benefit

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- Statutory sick pay (SSP) and statutory maternity pay (SMP) paid by the Department of Social Security.

Note 5b Income from Property

You will need to give details of any property income you received in this section. If you have income from more than one property, add together and enter the total amount before expenses. If you let property jointly with someone else, enter your share only. The types of income from property you may have received are

- rental and letting income
- rent charges and ground rents
- payments for letting others use your land
- grants towards the cost of repairs to let property
- any other receipts from any right or interest you held in land or property.

You will also need to give details of any expenses you wish to claim against your property income. You can either list them at section 14 (*Additional information*) or on a separate sheet of paper. The main allowable expenses are

- rent and ground rent
- rates/council tax
- repairs
- finance charges (including interest)
- the cost of any services provided to tenants.

Where a property is partly let and used partly for some other purpose (for example, occupied as a residence), only the proportion of the expenses relevant to the let part can be claimed.

If you let a house or flat furnished (other than as holiday accommodation) you may claim either

- the net cost of replacing a particular item of furniture or fittings (but not the cost of the original purchase), **or**
- a 'wear and tear' allowance of 10% of the rent received after deducting any charges you paid for services which would normally be the tenant's responsibility (for example, council tax).

You cannot claim

- personal expenses
- losses on sales of property
- expenses in connection with the purchase or sale of land or property.

Holiday lettings Properties that are let as 'furnished holiday lettings' are treated differently from other properties for tax purposes. Special rules allow you to set any losses from holiday lettings against **all** your other income, not just against other property income. For this reason you will need to calculate income (or losses) from holiday lettings separately from other property income. You will also need to clearly identify holiday lettings income on your claim form.

A letting is normally regarded as a furnished holiday letting if it is a UK property that is

- furnished, **and**
- available for holiday letting to the public on a commercial basis for 140 days or more during the year, **and**
- actually let commercially as holiday accommodation for 70 days or more during the year, **and**
- not occupied continuously for more than 31 days by the same person for at least seven months of the year.

If your furnished holiday letting income in the year, before expenses, is less than £15,000 annually, you do not have to list expenses separately. Instead enter the total expenses in section 14 (*Additional information*).

For detailed guidance on how to calculate profits or losses, please ask for a copy of booklet IR150 *'Taxation of rents; a guide to property income'*.

Note 5c Rent-a-Room scheme

Under the Rent-a-Room scheme your letting income is tax-free if your total receipts (gross income) were not more than £4,250 in the year of the claim. 'Total receipts' means your letting income before expenses, including any payments for services (for example, cleaning). But, if someone else received income from letting accommodation in the same property, the exemption is £2,125 each. If you wish to claim this exemption please write *'My gross Rent-a-Room scheme income was less than £4,250 (or £2,125 if shared) and I do not wish to opt out of the scheme'* in section 14 (*Additional information*). You do not need to provide any further details.

If your total receipts exceed £4,250 (or £2,125 if shared), you can choose between the following options:

- **Option 1** - paying tax on the amount by which your receipts exceed this figure, without any tax relief for your expenses, **or**
- **Option 2** - calculating your profit in the normal way by deducting your expenses from your receipts and paying tax on the difference.

If you wish to take up option 1 you should enter your gross income figure in section 5, describing it as 'Rent-a-Room' and write the following in section 14 (*Additional information*) - *'My gross Rent-a-Room scheme income was more than £4,250 (or £2,125 if shared) and I wish to pay tax on the amount by which my receipts exceed this figure'*.

If you wish to take up option 2 you should enter your gross income figure in section 5, describing it as 'Rent-a-Room'. Then enter your expenses figure and the following in section 14 (*Additional information*) - *'My gross Rent-a-Room scheme income was more than £4,250 (or £2,125 if shared) and I wish to pay tax on the amount by which my receipts exceed my expenses'.*

For further guidance about the Rent-a-Room scheme ask for booklet IR87 ***'Letting your home, including the 'Rent a Room scheme and letting your previous home when you live elsewhere'.***

Note 5d **Maintenance, alimony or child support payments**
You will need to give details of any maintenance or alimony payments you received under

- a legally enforceable written or oral agreement first made before 15 March 1988, details of which were received by an Inland Revenue office by 30 June 1988, **or**
- a court order first made before 15 March 1988, or by 30 June 1988 if the application to the court was made before 15 March 1988, **or**
- a legally enforceable written agreement, court order or Child Support Agency assessment which replaces, varies or adds to any of the above, but does not change the person entitled to receive the payments.

From 6 April 2000 all maintenance payments are exempt from tax.

Exempt figures for earlier years are 2000-01 £2,000; 1999-2000 £1,970; 1998-99 £1,900; 1997-98 £1,830; 1996-97 £1,790 and 1995-96 £1,720.

Note 5e **Income from self-employment**
You will need to give details of any income from self-employment. You should state your occupation and your business name and address (if different from your home address). If you started your business during the year, state the date you started. You should give details of your turnover, allowable expenses and profit. Enter the profit figure in the 'Amount received' box. However, if the first period for which you will prepare accounts falls after the date of your claim, simply write *'profits to be agreed'.*

If your turnover was £15,000 or more you should enclose a copy of your business accounts.

You may find Help Sheet IR222 ***'How to calculate your taxable profits'*** **useful.**

Note 5f Finally, the following list highlights other sources of income that should be included in section 5:

- casual earnings
- one-off freelance income
- commissions
- profits from any literary or artistic activity
- income received after winding up a business (for example, recoveries of bad debts or expenses)
- investment or savings income not shown elsewhere which is not exempt from tax.

Section 6 - income from trusts, settlements or estates of deceased persons

Do not enter income from unit trust schemes in this section.

Note 6a **Income from trusts or settlements** You will need to make entries in section 6 if you received trust or settlement income. The information you need to enter will be on the form R185 (certificate of deduction of income tax) given to you by the trustees of the trust or settlement. If you do not have an R185 your trustees should be able to get one for you.

You do not need to send a form R185 with your claim but it may be called for at a later date. If you have any doubts about how you have completed this section, you can send an R185 as this may help us to help you.

If you are the beneficiary of a **bare trust,** where you have an absolute right to the income and capital from the trust or settlement, do not include this income here. This income is treated as belonging to you and not the trustees. It should be included in the sections of the form that deal with the type of income concerned (for example, details of building society interest taxed before you receive it should be entered in section 2a *'UK Interest taxed before receipt'*).

Details of any income from **Interest In Possession, Discretionary** or **Accumulation** trusts should be entered here.

A **settlement** includes a trust, covenant, disposition, arrangement or transfer of assets. If you have directly or indirectly provided funds for a settlement, its income may be treated as yours for tax purposes. This may apply if

- you or your spouse can benefit immediately or in the future from the capital or income of the settlement, **or**
- capital or income of the settlement is paid to, or for the benefit of, your unmarried child or stepchild while that child is under the age of 18, **or**

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- income arises from a settlement made after 8 March 1999, or from funds added after 8 March 1999 to an existing settlement, and the income of the settlement would otherwise be treated as that child's income, **or**
- you or your spouse have received a loan or repayment of a loan from the trustees of the settlement.

If you think one of these situations may apply to you, you may find Help Sheet IR270 *'Trusts and settlements - income treated as the settlor's'* useful.

Note 6b Income from the estate of a deceased person

You do not pay tax on specific legacies of assets or money so you should not include these on your claim form. If the asset is one that produces income (for example, a bank account or property which is let) and you are entitled to that income from the date of the person's death, it should be included on your claim form in the section that deals with the type of income concerned (for example, details of bank interest taxed before you receive it should be entered in section 2a *'UK Interest taxed before receipt'*).

Residuary beneficiaries - special rules apply to income from a deceased person's estate which is paid to beneficiaries who have an interest in the residue. The residue is the amount remaining after the personal representatives have provided for all legacies and expenses of the estate. Residuary beneficiaries are entitled to get from the personal representatives a statement setting out the amount of any payments to them treated as income and the tax treated as paid on it. That information should be entered in section 6.

Absolute interests - if you have an interest in the income and capital of the residue, you are treated as receiving an amount of income. This is based on your share of the estate income, after deducting expenses chargeable to income. The personal representatives will supply you with a statement showing the amount of income that should be included on your claim form.

RELIEFS AND ALLOWANCES

Section 7 - Reliefs and Deductions

Note 7a Charitable Donations and Gifts

As from 6 April 2000 all donations to charity, including those under existing deeds of covenant will be covered by the new Gift Aid Scheme. All donations will be treated as having had basic rate tax deducted at the time of payment, which means that unless you pay tax at higher rate no further tax relief will be due.

If you give some shares or securities to a charity after 6 April 2000 you can claim a new tax relief. This is equal to the market value of the gift plus any incidental expenses relating to the transfer. The amount claimed must be reduced by the value of anything the charity gives you in return.

If you make any cash donations or gifts of shares, etc. you should enter the total amounts in section 7 and list the charities and amounts given to each one in section 14 *('Additional information')*.

For all earlier years Gift Aid payments had to be at least £250 per charity to qualify for tax relief, apart from the Millennium Gift Aid which had a limit of £100 and payments under a deed of covenant which had no lower limit. There is no tax relief on gifted shares etc prior to 6 April 2000.

Booklet IR65 *'Giving to charity by individuals'* gives more details.

Note 7b Mortgage or loan to purchase a home

For tax years up to and including 1999-2000, tax relief is available for interest paid on up to the first £30,000 of a loan to buy your only or main home. For the years 1995-96 to 1997-98 relief was given at 15%. For the years 1998-99 and 1999-2000 relief was due at 10%. No relief is available for tax years starting on or after 6 April 2000. If you wish to claim relief you should give details in section 7.

Loans taken out before 6 April 1988 Loans are eligible if they were used to buy or improve a home occupied by you or

- your divorced or separated spouse (if you separated before 6 April 1988), **or**
- your widowed, divorced or separated mother or mother-in-law, **or**
- any other relative who cannot work because of old age, permanent illness or disability, living in the home without payment.

Interest paid continues to qualify for relief (up to the end of the 1999-2000 tax year) if the property has been used as the main home of the same person since before 6 April 1988.

Loans taken out after 5 April 1988 Loans taken out after 5 April 1988 are only eligible for relief if they were used to buy a home occupied by you. Loans no longer qualify for relief if the property is occupied by any of the people listed above **or** was taken out for home improvements.

Note 7c Other loans qualifying for relief

You should also use section 7 to give details of interest on loans

- to buy ordinary shares in, or lend money to, a close company which you manage, or in which you own more than 5% of its ordinary shares
- to buy interest in a partnership or to provide it with capital or a loan

- to buy plant or machinery for use in your work for your employer or by a partnership.

Note 7d Legally binding maintenance, alimony or child support payments

For tax years up to and including 1999-2000, tax relief is available on certain legally binding maintenance, alimony or child support payments. If you pay maintenance under legal arrangements made (or applied for) before 15 March 1988, the level of relief is usually

- the amount you paid in the year ended 5 April 1989 for the maintenance of children of a divorced or separated spouse, **or**
- the actual amount paid in the year of claim, if this is less.

If you pay maintenance under legal arrangements first made after 14 March 1988, relief is limited to the amount of the Married Couple's Allowance in the year of claim. So relief is limited to £1,790 at 20% for 1995-96 and 1996-97, for 1997-98 it is £1,830 at 20%, for 1998-99 £1,900 at 15% and for 1999-2000 £1,970 at 10%. From 6 April 2000 tax relief for maintenance payments is only available if you or your ex-spouse was born on or before 5 April 1935. Relief for 2000-01 is limited to £2,000 at 10% and £2,070 at 10% for 2001-02.

Booklet IR121 *'Income tax and pensioners'* gives more details.

Note 7e Vocational training

Vocational Training Relief (VTR) was abolished with effect from 31 August 2000. The notes below may be relevant if you made training payments on or before that date.

VTR is available for training that counts towards a National or Scottish Vocational Qualification. If you are aged 16, 17 or 18 and not in full time education, or if you are 19 or over, you can get relief if you paid for your own training, provided

- you are resident in the UK for tax purposes, **and**
- you are not receiving, or entitled to receive, financial assistance (that is, a loan or grant) for a course under a Government scheme, **and**
- you are not doing the training wholly or mainly for recreational or leisure purposes.

VTR is also available on the cost of Vocational Training courses if you are at least 30 years old and the course

- provides skills that will be used in your employment (or self-employment)
- includes only teaching and/or practical application of skills
- is undertaken in the UK
- is substantially full-time
- includes at least 4 weeks of training
- lasts no more than 12 months.

VTR is given at source at the basic rate of tax. For years up to 1998-99 you can also claim higher rate relief on your training payments.

If you need further advice on whether you can claim VTR please contact Inland Revenue (Savings, Pensions, Share Schemes) on 0151 472 6022.

Note 7f Contributions to widow's and orphan's schemes, trade unions and friendly societies

You can claim a deduction for

- compulsory payments to provide annuities for widows and orphans where relief is not given by your employer
- the portion of a trade union subscription which relates to superannuation, life assurance or funeral benefits
- part of the premium paid under a particular type of friendly society policy providing benefits both on sickness and death. Relief is only given on the part of the premium that relates to the death benefit.

Note 7g Venture Capital Trust Subscriptions

If you subscribed for new ordinary shares in a Venture Capital Trust you may be entitled to claim relief on subscriptions up to £100,000. To qualify for relief you must have been aged 18 or over when the shares were issued. The amount of relief you are entitled to is the **smaller** of

- 20% of the amount (up to a maximum of £100,000) which you subscribed, **or**
- the amount which reduces your tax liability to nil.

The leaflet IR169 *'Venture Capital Trusts (VCTs), a brief guide'* gives more information.

Note 7h Enterprise Investment Scheme (EIS)

You can claim relief under the EIS for an investment in shares issued during the year (or during the following six months - see form EIS3 for details), as long as

- you have received a form EIS3 from the company you invested in, certifying that the company qualifies for the scheme, **and**
- you are eligible for relief (the conditions of eligibility are set out on form EIS3).

Section 8 - Married Couple's Allowance (MCA)

For tax years starting on or after 6 April 2000, the MCA is abolished unless either spouse was born before 6 April 1935. If you do not satisfy this condition you cannot claim MCA for 2000-01 or later years.

Married Couple's Allowance reduces the amount of income tax a married couple has to pay. The amount you get depends on your

please turn over

ages and the husband's total income from all sources. The amount of the allowance increases if either you or your husband/ wife turn 75 during the tax year. The allowance can also reduce if the husband's income from all sources exceeds certain limits. A minimum amount of allowance is always given whatever the level of the husband's income.

This allowance goes automatically to the husband. However

- either spouse can ask for half the minimum amount of the allowance to be given to each, **or**
- both spouses can ask for the whole of the minimum amount of the allowance to be given to the wife.

In many cases a split or transfer will make no difference to the amount of tax you have to pay as a couple, but in some cases you will be better off. You should check carefully before making an election because you could be temporarily worse off where the partner receiving the allowance has income which is less than his or her allowances. In the event of this happening you will not be able to transfer any unused allowance back to your spouse until after the end of the tax year.

You must use a form 18 (available from your own Inland Revenue office or any Inland Revenue Enquiry Centre) and you can only make an election if you and your spouse are living together. You must give me notice that you intend to make an election before the start of the first income tax year for which it is to operate. The income tax year always starts on 6 April. If you can't return a completed form 18 before 6 April, your election will still be accepted if

- you have told me in writing before that date that you intend to make an election, **and**
- you return the completed form 18 to me by 5 May at the latest.

If you are a married man tick the box to claim MCA if

- you were married and living with your wife for all or part of the tax year of claim, **or**
- you were separated from your wife before 6 April 1990, **but** you were
  - still married to her at the start of the tax year of claim, **and**
  - you have wholly maintained her since separation (until at least the start of the tax year of claim) with voluntary payments for which you were not entitled to tax relief (this option ended on 5 April 2000).

If you married in the year of claim, please enter the date of your marriage in the box.

If your wife is aged 65 or over during the tax year of claim, enter her date of birth in the box. You should give your date of birth at section 15 and I will use these dates to work out if you are entitled to the higher Married Couple's Allowance.

If you want your wife to have half or all of the minimum amount of the MCA please tick the box for a form 18 on which to make an election. Remember, if you have not already made an election for the tax year of claim, any election made now cannot apply until the start of the next tax year. If you have any unused MCA for the tax year of claim, and you would like to transfer it to your wife, you should

- tick the box (and I will send you a form 575 for you to make your request), **and**
- enter your wife's tax reference and National Insurance number in section 14 (*Additional information*).

If you are a married woman and you want half or all of the minimum amount of the MCA please tick the box for a form 18 on which to make an election. Remember, if you have not already made an election for the tax year of claim, any election made now cannot apply until the start of the next tax year. If your husband has any unused MCA for the tax year of claim, and you would like it to be transferred to you, you should

- tick the box for a form 575 to be sent to your husband, **and**
- enter your husband's tax reference and National Insurance number in section 14 (*Additional information*).

Section 9 - Additional Personal Allowance (APA)

For tax years starting on or after 6 April 2000, the APA is abolished. These instructions apply only to earlier years

If you are a woman you can claim APA if you had a child living with you for at least part of the tax year of claim, **and**

- you were single, separated, divorced or widowed at the end of the tax year of claim, **or**
- you got married or reconciled with your husband in the year of claim.

The child must live with you for part of the period in the year when you were single, separated, divorced or widowed.

If you are a man you can claim APA if you had a child living with you for at least part of the year of claim, **and**

- you were single, separated, divorced or widowed throughout the year of claim, **or**
- you separated permanently from your wife in the year of claim, and you are not getting all the married couple's allowance for that year, **or**
- you got married in the year of claim (when you can claim APA instead of married couple's allowance), **or**
- you are a married man whose wife was unable to look after herself at all for the **whole** of the year of claim because of illness or disablement.

The child need only have lived with you for part of the year of claim. But if you separated during the tax year, the child must have lived you with after you separated.

The child must have been either

- your own child, stepchild or a child you legally adopted before he or she was 18 (there is no age limit for this type of child), **or**
- a child under 18 at the start of the year of claim who you look after at your own expense.

But, you cannot claim for a child who was 16 or over at the start of the year of claim unless the child was

- receiving full-time education at school, college or university, **or**
- training full-time for at least two years for a trade or profession.

To claim the Additional Personal allowance

- tick the box if the child lives with you, **and**
- enter the child's name, date of birth and their relationship to you, **and**
- enter the name of the university, college or school, or the type of training if the child is 16 or over on 6 April in the tax year of claim, and is in full time education or training.

MORE INFORMATION ON THE ADDITIONAL PERSONAL ALLOWANCE

If you are a married man and you separated from your wife before 6 April 1990 and you are still entitled to Married Couple's Allowance from that marriage, you cannot get any APA.

If you separated during the tax year of claim, the maximum amount of APA you can get is the lower of

- the share of APA you are entitled to when the full amount has to be shared with someone else, **or**
- the full amount of the APA **after** deducting any share of the Married Couple's Allowance you may be entitled to. There are two circumstances when you do not deduct any Married Couple's Allowance. These are
  - if you are a husband claiming APA because your wife was unable to look after herself for the whole of the tax year of claim because of illness or disablement, **or**
  - you received Married Couple's Allowance from your spouse which was transferred 'unused' allowance.

You and someone else may both be entitled to claim Additional Personal Allowance for the same child. **If the two of you are not living together as husband and wife**, one of you may be able to claim for a different child instead, in which case you each get the full amount.

If you are claiming for the same child, you are only entitled to one allowance between you, so either

- one of you can give up your claim, **or**
- you can share the allowance.

If you cannot agree how the allowance should be shared, it will be split according to how much time the child lived with each of you in the tax year of claim.

If the two of you are not married but are living together as husband and wife, you can only claim one allowance between you, no matter how many children you have. The allowance will be given for the youngest qualifying child and either

- one of you can give up your claim, **or**
- you can share the allowance.

If you cannot agree how the allowance should be shared, it will be split according to how much time the child lived with each of you in the tax year of claim.

If the Additional Personal Allowance is to be shared, please ask your Inland Revenue office for a form P79(APA)

Section 10 - Widow's Bereavement Allowance (WBA)

You can claim WBA if

- your husband died in the tax year of claim (or the previous tax year), provided you did not remarry in that year, **and**
- your husband's date of death was before **6 April 2000**.

To claim the Widow's Bereavement Allowance tick the box and enter your husband's date of death.

Section 11 - Blind Person's Allowance (BPA)

You can claim BPA if you are registered blind with a local authority. If you are registered partially sighted you are unable to claim this allowance. To claim

- tick the box, **and**
- enter the date you were registered blind (if this is the first year you are claiming), **and**
- enter the name of the local authority.

If the tax year of claim is the first year you are on the register, you can still get the BPA for the previous tax year if you already had evidence of blindness during that year. Evidence will usually be an ophthalmologist's certificate, upon which the local authority subsequently based your registration.

Also, if you live in Scotland or Northern Ireland, you can claim BPA if you are not able to perform any work for which eyesight is essential. If this applies to you, simply write 'Scotland claim' or 'Northern Ireland claim' in the 'local authority' box.

Transferring unused Blind Person's allowance - a married man can transfer any unused BPA to his wife and a wife can transfer it to her husband. If you wish to transfer any unused BPA please tick the box and I will send you a form.

Section 12 - Children's Tax Credit

Children's Tax Credit (CTC) is a new relief for people who have a child under 16 years of age living with them for at least part of the year. For tax year 2001-02 CTC is worth up to £520 a year off your tax bill.

CTC is not just for married couples; unmarried couples and single parents can also receive CTC. However you cannot claim both Married Couple's Allowance (MCA) and CTC. If you are entitled to claim MCA you will automatically get that allowance. To receive CTC instead you will need to elect for that allowance. You Inland Revenue office can help you decide which allowance you should claim. To make a claim for CTC you will need to complete a claim form (11CTC).

Section 13 - Capital Gains

If you have sold or given away assets you may have to pay Capital Gains Tax (CGT) on any gains (profit) you have made. But gifts to charities are treated as giving rise to neither gain nor loss.

Exempt items - the following are exempt from CGT.

- Private cars
- Personal effects and goods each worth £6,000 or less when you disposed of them
- Savings Certificates, Premium Bonds and British Savings Bonds
- Gains made within a Personal Equity Plan (PEP)
- Bonuses from Tax Exempt Special Savings Accounts (TESSA)
- Terminal bonuses from SAYE contracts
- UK Government securities (gilts)
- Foreign currency for your or your family's personal use
- Life insurance policies and deferred annuity contracts (unless purchased from a third party)
- National Lottery prizes and betting winnings
- Gains made within an Individual Savings Account (ISA).

You may also exclude transfers between you and your spouse if you were living together at the time of the transfer.

Disposal of assets - if, during the year of claim, the total value of your disposals was more than

- 1995-96 - £12,000
- 1996-97 - £12,600
- 1997-98 - £13,000
- 1998-99 - £13,600
- 1999-2000 - £14,200
- 2000-2001 - £14,400
- 2001-2002 - £15,000

or

- your total gains may have been more than the exempt amount (see Section 13 on the form R40), **or**
- you believe you may be liable to CGT for another reason tick the box and I will send you a form R40(CG) to complete.

Section 14 - Additional Information

You should make entries here if the notes on a particular section tell you to, or **if**

- you have received a type of income which these guidance notes do not tell you where to enter, **or**
- there is anything else you think I should know about but, again, is not covered in these notes.

If there is not enough room in this section, you can include an additional sheet of paper. Remember to ensure it shows your name, tax reference and National Insurance number (NINO) or the name, tax reference and NINO of the person on whose behalf you are making the claim.

Section 15 - Claim and repayment details

In all cases please remember to sign and date the **declaration** at section 16.

You may claim on behalf of

- an unmarried minor (someone under the age of 16 in Scotland or under 18 elsewhere), **or**
- a mentally incapacitated person, **or**
- someone who has died.

Claims should normally be made by

- **a parent or guardian** on behalf of an unmarried minor
- **the person authorised by the courts** to look after the affairs of a mentally incapacitated adult (or the **DSS appointee**)
- **the executor or administrator** of the estate of someone who has died (the claim will relate to income up to the date of death only).

Those who have now reached the age of 16 (in Scotland) or 18 (elsewhere) should make their own claims. They can use this form R40 but should enter their name on page 1 of the form and give their address (if different from that shown on page 1) and enter *'Claim for self'* at Section 14 (*Additional information*).

Ask your Inland Revenue office if you are in any doubt about whether you are the right person to claim repayment. Remember that in these guidance notes and in the form, references to 'you' and 'your' may equally apply to the person on whose behalf you are claiming.

If you are claiming on behalf of a minor as a trustee, you **must** enclose a statement of the minor's income and capital gains during the year of the claim. This statement **must** be signed by the minor's legal guardian.